STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

SBC Communications Inc.,	)	
SBC Delaware Inc.,	)	
Ameritech Corporation,	)	
Illinois Bell Telephone Company d/b/a	)	
Ameritech Illinois, and Ameritech Illinois	)	
Metro, Inc.	)	
	)	Docket No. 98-0555
Joint Application for Approval of the	)	
Reorganization of Illinois Bell Telephone	)	
Company d/b/a Ameritech Illinois, and	)	
the Reorganization of Ameritech Illinois	)	
Metro, Inc. in Accordance with Section	)	
7-204 of the Public Utilities Act and for	)	
All Other Appropriate Relief	)	

LANGUAGE FOR PROPOSED ORDER ON REOPENING OF MCI WORLDCOM, INC.

Consistent with Chairman Mathias' request that parties file proposed draft orders as attachments to their briefs on reopening set forth in his letter to the Hearing Examiners on July 9, 1999, MCI WorldCom hereby submits proposed language concerning potential terms, conditions and requirements concerning the implementation of local competition that should be met prior to any formal approval of the proposed Ameritech/SBC merger by the Illinois Commerce Commission ("Commission").

The language set forth below is meant to be responsive to requests for exacting, definitive conditions that might be placed on the merger in an attempt to ameliorate the likely significant adverse effect that the merger would otherwise have on local competition in Illinois. The proposed language is crafted in a manner that is intended to allow it to be lifted and placed into a independent section of a Commission order addressing Section 7-204(b)(6) and Section 7-204(f) of the Illinois Public Utilities Act ("IPUA"). Because it took no position with respect to the allocation of merger savings, the other major issue addressed on reopening, MCI WorldCom does not submit proposed order language addressing this issue.

The proposed language is submitted with the intent of being responsive to the Commission's stated desire to have available for consideration specific conditions concerning competition in the local market in Illinois. This proposed language in no way should be interpreted as a change in MCI WorldCom's position that the proposed merger -- even with the latest so-called "commitments" that Ameritech and SBC have proposed -- is a bad deal for the Commission, competitors trying to break into Ameritech Illinois' monopoly local market and, most importantly, for the residential and small business customers who stand to be harmed by the delay and reduction in local competition that the merger represents. With this in mind, MCI WorldCom submits the following proposed order language that can and should be used as a free standing section of a Commission order in this matter should the Commission decide to conditionally approve the proposed merger.

Record on Reopening -- Competition Issues Pre-Conditions

After the initial round of testimony, cross examination, briefs and oral arguments in this matter, the Commission's deliberations revealed that the record on certain issues -- including the merger's likely impact on local competition, merger cost and savings allocations, and conditions that might be placed on the merger -- was not sufficiently clear to enable the Commission to make the statutory findings that it is required to make before it can approve a reorganization pursuant to Section 7-204 of the Illinois Public Utilities Act ("IPUA"). In response to the concerns expressed by various Commissioners about the insufficiency of the record, on June 10, 1999, the Joint Applicants filed a Motion for Leave to File an Amended Joint Application, Motion to Reopen the Record, and Motion to Set an Expedited Schedule. We granted the Motions to File the Amended Application and to Reopen the Record and subsequently set a schedule for further testimony, hearings and briefs. On June 15, the Chairman of the Commission sent a letter the Hearing Examiners which set forth specific questions regarding commitments that the Joint Applicants made in their Amended Application. The purpose of the Chairman's letter was to elicit from the parties to the proceeding a focused, detail-oriented information regarding specific conditions which would ameliorate concerns about protecting consumers and allowing for local competition in the local exchange market.

On reopening, the Joint Applicants, Staff and intervenors filed testimony on the issues of local market competition, merger costs and savings allocations and potential conditions. With respect to the local competition issues, we have a potpourri of commitments and proposed conditions before us. The Joint Applicants submitted what they refer to as "additional commitments" regarding, among other things, Illinois-specific interconnection, shared transport, Operational Support Systems ("OSS"), performance measuring benchmarks and compliance. See

Amended Joint Application, Exhibits 5 and 6. The Joint Applicants also entered into the record commitments that they have made to the Federal Communications Commission ("FCC") in connection with their application to the FCC for approval of the proposed merger. In addition, the record contains details regarding commitments that SBC voluntarily negotiated with the Staff of the Public Utility Commission of Texas and competitive local exchange carriers ("CLECs") to open the local exchange market to competition in SBC's service territory in Texas. See Cross Exhibit A (Texas Memorandum of Understanding, to Project No. 16251, Public Utility Commission of Texas, submitted April 26, 1999). Intervenors suggested a wide variety of proposed conditions. The question we are faced with at this juncture is whether the newly supplemented record is sufficient to demonstrate that proposed merger is not likely to have a significant adverse effect on competition in the local market in Illinois. As discussed below, we are unable to answer that question in the affirmative and therefore will require that specific conditions be met prior to the merger closing. Without imposing such requirements, we cannot make the requisite finding that the merger is not likely be a significant adverse effect on competition in the local exchange market in Illinois.

Various commitments made by the Joint Applicants with respect to availability of unbundled network element ("UNE") combinations, including the UNE platform, and Operational Support Systems ("OSS") give rise to serious concerns about the Joint Applicants' attitudes toward opening the local market competition. Despite unrebutted CLEC testimony about the importance of these issues to local competition in residential and small business markets, the Joint Applicants provide little assurance that these critical items will be available in a timely manner. We believe that the Illinois-specific commitments as well as the FCC commitments made by the Joint Applicants fail to demonstrate by a preponderance of the evidence that the merger will not likely have a significant adverse effect on competition in the local exchange market in Illinois.

For instance, there is no Illinois commitment that Joint Applicants will provide UNE combinations, including the UNE platform. Conversely, the FCC commitments do contain some provision for the provision of UNE combinations, but those commitments restrict to 302,000 the of residential lines in Illinois that can be served using UNE combinations and resale. See SBC-Ameritech Ex. 1.5 (Kahan Rebuttal on Reopening), Schedule 3, p. 28-29. By contrast, SBC in Texas has committed to provide combinations of UNEs at TELRIC prices for business customers for 2 years and for residential customers for three years. See Cross Ex. A (Texas Memorandum of Understanding), pp. 26-27. Significantly, the time line for provision of the combinations of UNEs in Texas appears to occur directly following or in close proximity to the successful completion of third part testing of SBC's OSSs. See Cross Ex. A (Texas Memorandum of Understanding), pp. 2, 4, 39-40. In addition, whatever the value there is in the Joint Applicants' so-called interconnection commitments is eviscerated by the exceptions to the commitments. SBC-Ameritech Ex. 1.3 (Kahan Direct on Reopening), pp. 6-15; Tr., pp. 1856-1862. Particularly troubling is the Joint Applicants' refusal to allow CLECs to request and receive without having to go to arbitration provisions of interconnection agreements that SBC has arbitrated with carriers in other states. From our perspective, various arbitrated agreements or individual provisions of arbitrated agreements that CLECs find desirable may represent "best practices" for ensuring that timely and effective competition reaches the local market in Illinois. Allowing the importation of

such provisions without requiring arbitration does not, as Joint Applicants appear to believe, require this commission to abrogate its authority to other state commissions.

In addition, we have significant concerns about the viability of the OSS commitments made by the Joint Applicants and what they mean for local competition in Illinois. It is uncontested that OSS is critical to the ability of CLECs to provide service in any meaningful way to residential and small business customers at commercial volumes. Yet the Joint Applicants' Illinois commitment on OSS would mean that OSSs capable of supporting preordering, ordering, repair and maintenance of unbundled network elements ("UNEs") and UNE combinations, including the UNE platform, would take a minimum of two years to implement. Since it would take a minimum of two years to build OSS that could support UNE platform, and the Joint Applicants commitments to the FCC to provide some form of UNE combinations last only three years, CLECs would be investing time and money in building OSSs that may be useful for a year or less. Indeed it is entirely possible that the OSSs may not be in place before any commitment to provide combinations of UNEs expires. (Tr., pp. 1957-1958). The Joint Applicants' FCC commitments provide a similar OSS roll out period. Thus, even if we require the Joint Applicants to immediately begin providing combinations of UNEs, including UNE platform, CLECs will not be able to sell services on a mass market basis to residential and small business customers for at least two years. That is tantamount to imposing a two year moratorium on residential and small business competition in Illinois and is unacceptable.

Based on the record on reopening, it is clear that there are significant differences between what the Joint Applicants have committed to in Illinois, at the FCC and what SBC has agreed to in Texas. It is also clear that the Joint Applicants will not agree to adopt in Illinois conditions, either in whole or in part, that SBC has agreed to adopt to open the local exchange market in Texas. The Joint Applicants appear resolute in their position that this Commission should not allow in Illinois the adoption of agreements to which SBC is a party that have been arbitrated in other states, or adoption of provisions from such arbitrated agreements. The Joint Applicants base their objection on the theory that the Commission would be abrogating its authority if it allowed the adoption of agreements and provisions of agreements arbitrated by other state commissions. SBC-Ameritech Ex. 1.3 (Kahan Direct on Reopening), pp. 6-7, 12-13; SBC-Ameritech Ex. 10.1 (Dysart Supp. Direct on Reopening), pp. 2-3. We disagree.

As an initial matter, we must ask ourselves why customers in Illinois deserve anything less than what SBC has agreed to do in Texas? The answer, of course, is that residential and small business customers in Illinois do not deserve anything less than the best of what SBC offers or is required to offer elsewhere. We see no reason why Illinois residents should not benefit from best available market opening initiatives, whether they come from an arbitrated agreement from another state or terms and conditions that SBC has agreed to provide, including individual provisions of the Proposed Interconnection Agreement ("PIA") from Texas. Given that this Commission has been working to open Illinois's local markets to competition since before the passage of the Telecommunications Act of 1996, we believe that the time has come for more stringent market opening initiatives than we have taken in the past. Accordingly, we reject the Joint Applicants' proposal that CLECs not be allowed to adopt, in whole or in part, provisions from agreements to which SBC is a party which happen to have been arbitrated in another state.

In addition, we set forth below more specific, detailed conditions that must be met be met before we will allow the merger to close.

We take very seriously our charge to consider and impose requirements that will protect the interests of Illinois consumers as well as the Ameritech Illinois. In weighing the evidence before us, we are not convinced that the Illinois commitments, the FCC commitments or the Texas commitments reflect conditions that we believe are necessary to ensure that the proposed merger will not have a significant adverse impact on the local market in Illinois. We are especially concerned about the likely impact the merger will have on residential and small business customers. The Joint Applicants have not mollified our concerns by virtue of their voluntary commitments.

On the other hand, CLECs have presented specific and unrebutted testimony that certain minimum conditions must be ordered to ensure that residential and small business customers will enjoy the benefits of choice that come with a competitive market. We agree with those parties who have argued that the Ameritech Illinois must satisfy certain conditions prior to the merger being approved in order for the Commission to be able to find that the merger will not likely have a significant adverse effect on competition. It is incumbent upon us to articulate as clearly as possible the pre-conditions and requirements that we believe are necessary under Section 7-204(f) for the merger to meet the statutory requirements set forth in 7-204(b)(6). Based on our review of the entire record, we will set out conditions and requirements that are clear cut so that the Joint Applicants will know what is required of them up-front and so as to avoid to the greatest extent possible back sliding on conditions that have been satisfied or nibbling around the edges that is invited by the imposition of ambiguous conditions.

In sum, we find that the Illinois-specific commitments and the FCC commitments made by the Joint Applicants do not demonstrate by a preponderance of the evidence that the merger will not be likely to have an significant adverse effect on competition in the Illinois local exchange market. However, we have reviewed the record on reopening and find that there are conditions that have been suggested by parties that if met prior to the closing of the merger would allow us to make the requisite finding under Section 7-204(b)(6) of the IPUA. We agree with CLEC arguments that immediate availability of shared transport, unrestricted UNE combinations for residential and business customers, including UNE platform, is critical to timely development of competition for residential and business customers, and that the development and implementation of third party test and carrier-to-carrier testing of OSSs is proceed forthwith. In addition to preconditions being met, we believe substantial and self-executing penalties are needed to ensure that Joint Applicants cannot backslide on maintaining compliance with our preconditions and other requirements. Accordingly, consistent with the record in this proceeding and the authority vested in us by the General Assembly through Section 7-204(f) of the IPUA, we find that the requirements of Section 7-204(b)(6) can be met if Ameritech Illinois meets the following requirements prior to the merger:

Provisioning of shared transport in combination with other UNEs, must be provided immediately at the interim rate we set forth in the Ameritech our TELRIC proceeding, with the permanent rate to be determined in Phase 2 of the TELRIC proceeding. The requirement that Ameritech Illinois

provide shared transport (and UNE Platform) will remain effective regardless of the outcome of the FCC's 319 proceeding;

Immediate provisioning of Unbundled Network Element Platform. Ameritech Illinois shall be prohibited from assessing a fee or "glue charge" for the function or action of combining elements that are already combined in its network. Any migration of customers to UNE-platform must occur without disconnection of a customer's service (and therefore without a charge) and without any requirement that a CLEC load data from the Line Information DataBase ("LIDB" is a shared database of calling permissions, such as inbound collect calling, calling card information etc.);

Immediate processing of CLEC requests to transition existing resale customers to the unbundled network element platform at TELRIC prices without any charge being levied by Ameritech for accepting and processing those requests;

Immediate and on-going availability on an unbundled basis, singly or in combination, the following unbundled network elements: local loops, the network interface device, switching, dedicated and shared transport, signaling systems, operations support systems, operator and directory assistance databases, dark fiber, xDSL equipped loops, subloop unbundling, Extended Link Service ("ELS") and Enhanced ELS. These UNEs will continue to be made available regardless of the FCC's findings in its Rule 319 Remand Proceeding. Ameritech Illinois shall also comply with any FCC or Commission order regarding unbundling of any additional elements not listed here. Ameritech Illinois shall also make available all switched-based features, including all CLASS features available now or made available in the future.

Immediate and on-going availability of xDSL-capable loops: Ameritech Illinois shall be required to provide nondiscriminatory access to unbundled local loops capable of supporting all forms of xDSL (including, but not limited, to ADSL, ADSL-Lite, HDSL, SDSL), at TELRIC rates. The loops must be properly conditioned (free of load coils and bridged taps) at no additional cost to CLECs. Ameritech also shall offer a wholesale DSL product to CLECs.

Immediate and on-going availability xDSL-equipped loops: Ameritech Illinois shall be required to provide nondiscriminatory access to any access platform and/or access equipment that has been deployed to deliver high-speed services at TELRIC rates (as described in Condition 1). This shall include, but is not limited to, unbundled local loops equipped with an ILEC-installed DSLAM (which can be located in the ILEC central office or remote terminal) or Digital Loop Carriers capable of providing high-speed services. The point of interconnection for xDSL-equipped loops shall be either the back end of an Ameritech DSLAM or at the point closest to the CLEC's point of presence at the back end of an SBC and/or Ameritech ATM switch.

Immediate and on-going availability spectrum management: Ameritech Illinois shall, in a nondiscriminatory manner, manage the spectral management of the copper network in accordance with the FCC Rules and Guidelines provided by T1E1.4.

Immediate and on-going availability DSL Associated Electronics, Equipment, and Facilities: Ameritech Illinois shall be required to provide CLECs access to any access platform and/or access

equipment that has been deployed to deliver high-speed services, either at the central office or the remote terminal. Such access platforms, shall include, but are not limited to, DSLAMs or Digital Loop Carriers capable of providing high-speed services. CLECs shall also be permitted to use Ameritech's transport network, on either a shared or dedicated basis, from the DSLAM to a CLEC's point of presence. Ameritech shall also be required to provide access to its ATM network.

Immediate and on-going availability Collocation: Ameritech shall be required to permit, on a nondiscriminatory basis, collocation of all competitor's equipment for interconnection and/or access to unbundled elements in accordance with the FCC's rules.

Immediate and on-going availability Loop Qualifying Database: At a minimum, Ameritech shall provide access to the same loop qualifying database that it uses (via Electronic Data Interchange ("EDI")). If that database cannot reasonable support competitors, they must upgrade to comply with industry standards.

With respect to non-recurring charges for all UNEs, permanent pricing for shared transport and pricing for network element combinations, those issues are to be resolved expeditiously in Phase 2 of the Ameritech TELRIC proceeding. Until the proceeding is completed, we will require Ameritech Illinois to all stand alone non-recurring charges for individual UNEs that Ameritech had proposed in the original TELRIC proceeding to be reduced by 50% until such time as permanent non-recurring charges can be established.

The aforementioned conditions must be implemented before SBC and Ameritech are permitted to consummate their proposed merger. SBC and Ameritech are directed to demonstrate compliance with each condition as soon as practicable so that the parties can comment on claimed compliance expeditiously and Commission can make a finding of compliance before the parties are authorized to consummate the merger. In addition, SBC and Ameritech shall be required to demonstrate continuing compliance with each of these conditions via reports submitted to the Commission which should be subject to public notice and comment over very short time frames. These conditions shall apply to SBC and Ameritech and any ILEC owned or controlled by SBC or Ameritech, including affiliates providing data services. We decline to set a specific "sunset" date for these conditions. Rather, we believe that it will be appropriate to review the continuing need for these conditions no earlier than three years after the merger is consummated. We believe these conditions are critical to the timely development of local exchange competition in Illinois and, therefore, we find that Ameritech Illinois will have the burden of proving after three years that specific, individual conditions are no longer useful.

In addition to the aforementioned conditions that must be satisfied prior to the merger closing, we will require as a condition of the merger that third party testing and carrier-to-carrier testing of Ameritech's OSSs should commence as soon as possible. Based on the record evidence, we find that the third party testing that has taken place in New York has provided CLECs with the ability to provide services to residential customers on a state-wide basis, even though we realize that testing of Bell Atlantic New York's systems is not yet complete. Nevertheless, the fact that CLECs have some working OSS and have UNE platform available at

TELRIC prices without glue charges which allows for the provision of competitive local service to residential and small business customers in that state is enough to convince us that those local market opening initiatives have some track record of success. Based on the record before us, that is more than can be said for the OSS testing and local market opening initiatives that have been implemented in other states, including Texas.

For these reasons, we adopt the recommendations of MCI WorldCom that New York style OSS third party testing take place in Illinois as soon as possible. We also announce our intention to engage the third party tester in New York, KPMG, to provide the Commission with a prospectus for third party testing of uniform OSS in Illinois. Our intention is to ensure that uniform OSS capable of supporting commercial volumes of preordering, ordering, provisioning, maintenance and repair and billing for UNE combinations, including UNE platform, will be deployed and available as soon as possible.

We note that the cost of developing, implementing and conducting the third party testing of Ameritech's OSSs must be borne solely by the Joint Applicants. It is the Joint Applicants who stand to accrue the significant financial benefits of this merger. The ability to ensure that Ameritech Illinois' local exchange market is open to competition in a timely fashion is dependent in large part upon the development, implementation and testing of appropriate and uniform OSS systems that will support mass market entry by CLECs to provide service to residential and small business customers. The costs of testing and validating the systems are critical to bringing benefits to Illinois customers, and which will benefit Ameritech Illinois' Section 271 efforts, is appropriately shouldered by the Joint Applicants and can be viewed as one of our requirements as to how merger savings should be allocated.

Finally, on performance benchmarks and enforcement measures, we believe that there needs to be substantial and certain penalties to ensure continued compliance with the terms, conditions and requirements we have outlined for approval of this merger. We agree with MCI WorldCom that the benchmarks and measures offered to this Commission are far different than those SBC has offered to the Texas Commission. Moreover, we agree with MCI WorldCom that the benchmarks and measures Joint Applicants have offered to the FCC require substantial modification in order to ensure that Joint Applicants open their local market to competition. For these reasons we adopt the performance benchmarks and enforcement measures offered by Joint Applicants, as modified by MCI WorldCom in its comments to the FCC on the proposed merger conditions. Only by modifying the proposed benchmarks and measures in this way can this Commission be certain that this merger will not have a substantial adverse effect on competition in the local exchange market here in Illinois.